

California SCHIP and Federal Reauthorization Issues

FACT SHEET

SCHIP funds in California pay for coverage of more than 1 million formerly uninsured children. California's main SCHIP program, known as Healthy Families, is the largest in the country, with enrollment exceeding the combined total of New York and Texas -- the second and third largest programs in the country.

The Healthy Families Program Serves Low-Income Children

Existing California law establishes eligibility for uninsured children with family incomes up to 250% of the federal poverty level (FPL). CMS approved California's State Plan Amendment (SPA) establishing this eligibility level on November 23, 1999.

However, the average enrollee is from a family with an income of 163% of FPL, with a cap at 250% FPL, \$29,708 and \$42,930 respectively of annual income for a family of three persons. Because of California's high cost-of-living and higher rates of uninsurance — even at incomes of 250% to 300% FPL — Governor Schwarzenegger and the Democratic legislative leadership have proposed to increase income eligibility to 300% FPL to enroll more uninsured children.

Congressional Compromise Bill: The expansion to cover children up to 300% FPL envisioned by California policy-makers would have been possible under the bi-partisan compromise bill. It would have maintained state flexibility to cover these children with SCHIP funds, reduced federal fund matching rates for persons above that level, and allowed an enhanced matching level for covering persons below that level.

California SCHIP Funds Support Only Children and Pregnant Women

1.1 million children are served by SCHIP funds in California. The only adults included in California's SCHIP-funded programs are nearly 8,000 pregnant women with incomes up to 300% FPL. The federal government approved this for California on March 28, 2006, retroactively effective to July 1, 2004.

Congressional Compromise Bill: The bill would have allowed California and other states to continue covering pregnant women with SCHIP funds, but would have phased-out covering any other adults for all states.

Families Pay Premiums for Covering Children in the Healthy Families Program

The Healthy Families program works because it is a partnership between government and families. Families pay premiums an average of less than 2 percent of family income, making it affordable to them. As in other states' SCHIP-funded programs, if a premium is not paid, a family is given several warnings and eventually dropped from coverage.

Congressional Compromise Bill: The bill would not have interfered with states' abilities to charge families premiums for SCHIP coverage.

California SCHIP Relies on the Private Sector for Providing Health Coverage and Administrative Services

Of the 831,000 children in Healthy Families in August 2007, more than 75 percent were enrolled in private health plans, such as Blue Cross, Blue Shield, and Health Net. The remaining children were in public-private partnership plans. The program offers coverage in 24 health plans, 6 dental plans and 3 vision plans, depending on where a person lives. Most families have a choice of seven health plans, and 99.7% have a choice of at least two plans.

In addition to contracting with private health plans, California contracts with a private-sector company for functions related to screening and enrolling children, handling customer service and other administrative functions for SCHIP. The company meets the highest performance standards in the country.

Through contracting with both commercial and public plans, and negotiating rather than setting rates, Healthy Families has kept its annual cost increase to about 3% -- well below national health costs trends.

Congressional Compromise Bill: The bill would have continued existing policy by allowing California and other states to provide coverage through private health plans. It also would have continued state flexibility to use private vendors to determine applicants' eligibility for SCHIP.

The Healthy Families Program is Designed to Prevent Crowd-Out

Some are concerned that families whose children obtain coverage under SCHIP are dropping their employer sponsored coverage in favor of enrolling in a low cost public program.

California will not allow a child into the Healthy Families program if he/she has had employer-based coverage in the last 3 months.

Congressional Compromise Bill: The bill would have continued allowing California to operate its SCHIP programs without significantly changing operations regarding this issue and would have required the federal government to study and report recommendations for reducing crowd-out.

Enrolling Legal Immigrants in U.S. Less than 5 Years and Undocumented Immigrants is Prohibited

California does not use SCHIP funding for undocumented children or for legal immigrants in the U.S. less than five years, both of which are prohibited by federal law. The State now verifies citizenship status through a birth certificate. California uses state funds to pay for Healthy Families coverage of legal immigrants in the U.S. less than five years.

Many California policy-makers, including Governor Schwarzenegger, support returning federal law to what it was before passage of the Welfare Reform Act of 1997. This would allow SCHIP funds to cover all legal immigrants.

Congressional Compromise Bill: The bill would have continued provisions of existing federal law that preclude use of federal SCHIP funds for coverage of undocumented immigrants. It did not authorize use of SCHIP funds for legal immigrants in the U.S. less than five years and would have added citizenship documentation and identity verification requirements to SCHIP.

Funds Needed by California

To maintain enrollment at 250% of FPL, California needs approximately \$1.3 billion in FFY 2008, an amount that would increase annually by \$100 to \$200 million.

Congressional Compromise Bill: California's projections show that the bill would have provided the required federal funding to meet the State's need to enroll children under the current income eligibility rules. Because it would have provided funds for a 5-year period, it also would have provided California with the funding stability that allows for long-term, prudent management of the State's SCHIP-funded programs.

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